

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 OMB-01 AEC-11 AID-20 CEA-02 CIEP-03 COME-00

EB-11 FEAE-00 FPC-01 INT-08 SAM-01 SCI-06 STR-08

TRSE-00 FRB-03 XMB-07 OPIC-12 LAB-06 SIL-01 DRC-01

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R 281340Z AUG 74

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 4224

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

OECD PARIS

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E.O. 11652: N/A

TAGS: EFIN, NL

SUBJ: PREVIEW OF DUTCH BUDGET FOR 1975

REF: HAGUE 4083

1. AS EXPECTED, KEY PORTIONS OF BUDGET PACKAGE LEAKED TO
PRESS LAST WEEK. EMBASSY HAS CONFIRMED LEAK IS ESSENTIALLY
CORRECT, ALTHOUGH CHANGES WILL OCCUR BEFORE GOVERNMENT
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PRESENTS PROGRAM TO NATION SEPT 17.

2. ACCORDING TO WEEKLY ELZEVIER, BUDGET WILL BE EXPANSIONARY. GOVERNMENT REVENUES WILL INCREASE EIGHT BILLION GULDERS (3.08 BILLION DOLLARS), THANKS TO JUMP IN RECEIPTS FROM SALE OF GON-OWNED NATURAL GAS. GOVERNMENT EXPENDITURES, HOWEVER, WILL RISE 20 PERCENT, EXCEEDING EXPECTED GROWTH IN NATIONAL PRODUCT AND RESULTING IN 3.5 BILLION GULDERS (1.35 BILLION DOLLARS) DEFICIT, 1.5 BILLION GULDERS GREATER THAN LAST YEAR. INCREASE IN DEFENSE EXPENDITURES WILL LAG BEHIND GENERAL GOVERNMENT OUTLAYS, WHILE DEVELOPMENT ASSISTANCE WILL INCREASE TO ONE AND ONE-HALF PERCENT OF NET NATIONAL INCOME. UNDERLYING ECONOMIC PROJECTIONS FORESEE THAT WAGES WILL GO UP 12 PERCENT AND PRICES EIGHT.

3. ONE POINT IN ELZEVIER'S ARTICLE WHICH MAY BE INCORRECT IS ASSERTION THAT TAX BURDEN WILL REMAIN 31.1 PERCENT. DIRECTOR CENTRAL PLANNING BUREAU (CPB) PROF. VAN DEN BELD TOLD US THERE WILL BE SOME REDUCTION IN TAXES TO HELP CONSUMERS OFFSET SCHEDULED RISE IN NATURAL GAS PRICE. (GOVERNMENT WANTS AS MATTER OF EQUITY TO BRING PRICES PAID FOR GAS HEATED HOMES AND INDUSTRY IN LINE WITH THOSE PAID FOR THE OIL-HEATED.)

4. LIKE TWO OTHER GOVERNMENT ECONOMISTS WHO DISCUSSED MATTER WITH US IN RECENT DAYS, VAN DEN BELD TAKES EXCEPTION TO OPTIMISTIC OECD OUTLOOK ON WORLDWIDE ECONOMIC RECOVERY. HE FORESEES CLOSE TO ZERO GROWTH IN WORLD TRADE IN 1975, BUT BELIEVES GERMAN GOVERNMENT WILL REFLATE EARLY NEXT YEAR, WHICH SHOULD HELP HERE BECAUSE FRG IS HOLLAND'S MAJOR CUSTOMER. VAN DEN BELD NOTED DUTCH UNEMPLOYMENT EXPECTED TO CLIMB TO FOUR PERCENT IN 1975. THIS VERY HIGH FIGURE (FOR NETHS) ACCOUNTS FOR GOVERNMENT DECISION TO STIMULATE ECONOMY EVEN THOUGH INFLATION REMAINS HIGH. VAN DEN BELD ASSERTS, HOWEVER, THAT GON IS EQUALLY CONCERNED ABOUT BOTH INFLATION AND UNEMPLOYMENT. TANGUY

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